

A nonprofit organization assisting local governments of a metropolitan area by conducting research to develop solutions for common regional problems, but not advocating any legislative action to implement its findings, qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was created to assist local governments of a metropolitan region by studying and recommending regional policies directed at the solution of mutual problems that transcend the local jurisdictions, but affect all of them. The chief elected officers of the several local jurisdictions constitute the membership of the organization.

The organization holds meetings to discuss, identify, and cooperate in developing regional plans and policies for such problems as water and air pollution, waste disposal, water supply, and transportation. A staff of experts engaged by the organization researches and analyzes problems discussed at the meetings and distributes reports to the local governments and news media. Although some of the plans and policies formulated by the organization can only be carried out through legislative enactments, the organization does not direct its efforts or expend funds in making any legislative recommendations, preparing prospective legislation, or contacting legislators for the purpose of influencing legislation.

Receipts are from Federal grants, membership dues, and assessments on the local jurisdictions. Disbursements are for salaries, publication costs, rent, and miscellaneous administrative expenses.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations that are organized and operated exclusively for charitable or educational purposes, no substantial part of the activities of which consists of attempting to influence legislation.

The term 'charitable' is defined in section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations as including the lessening of the burdens of Government, and the promotion of social welfare by combatting community deterioration.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the term 'educational' as including the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(c)(3) of the regulations specifies that an organization is not operated for one or more exempt purposes if

it is an 'action' organization. An 'action' organization has the following two characteristics: (a) Its main objectives (as distinguished from its incidental or secondary objectives) may be obtained only by legislation or a defeat of proposed legislation; and (b) it advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research, and making the results available to the public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

Assisting the municipalities of a particular region in the study of problems such as water and air pollution, transportation, water resources, and waste disposal is charitable within the meaning of the applicable regulations since it lessens the burdens of government. See Rev. Rul. 67-325, C.B. 1967-2, 113, and Rev. Rul. 68-14, C.B. 1968-1, 243. Furthermore, in conducting nonpartisan analysis, study, and research into these problems and publishing the results for the benefit of the general public, the organization is also engaging in educational activities. Since the organization does not advocate the adoption of any legislation or legislative action to implement these findings, it is not an 'action' organization as defined in the regulations.

Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.